

Message Text

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C O N F I D E N T I A L NEW DELHI 9444

EXDIS

C O R R E C T E D C O P Y (TEXT AND PASSING INSTRUCTIONS)

E.O. 11652: GDS

TAGS: EAID, IN

SUBJECT: BI-LATERAL AID

PARIS PASS USOECD; PARIS FOR U.S. DELEGATION TO INDIA CONSORTIUM

1. FINANCE MINISTER PATEL CALLED ME IN TODAY, SATURDAY, TO SAY THAT THE HOUSE APPROPRIATIONS COMMITTEE REPORT ON FOREIGN ASSISTANCE, WITH ITS PARTICULAR STIPULATIONS ABOUT POSSIBLE AID TO INDIA, CALLING NOT ONLY FOR HEARINGS ON THE SUBJECT BUT SATISFACTION AS TO VARIOUS POINTED CONDITIONS, POSES SERIOUS PROBLEMS FOR GOI NEGOTIATIONS WITH US ON BI-LATERAL AID.

2. YESTERDAY, MINISTER PATEL RECOMMENDED TO THE CABINET APPROVAL OF THE INITIATION OF SUCH TALKS IN RELATION TO POSSIBLE U.S. FY 78 AND FY 79 AID. SOME CABINET MEMBER OR MEMBERS CITED THE PART OF THE APPROPRIATIONS COMMITTEE REPORT (PAGE 15) WHICH RELATES TO INDIA AND ARGUED THAT IT WOULD BE DEMEANING FOR THE GOI TO NEGOTIATE WITH US ON AID UNDER THESE CONDITIONS. THE INCLUSION OF THESE PROVISIONS IN THE REPORT WERE HELD TO BE CONFIDENTIAL

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DISCRIMINATORY (IS AID TO ANY OTHER COUNTRY TO BE SUBJECTED TO THESE SAME CONDITIONS AND PRECEPTS?). THEY WERE ALSO HELD TO SHOW A DISREGARD FOR THE JANATA GOVERNMENT'S CLEAR STATEMENTS ON NUCLEAR POLICY AND DEVELOPMENT POLICY. (THERE IS A MARKED EMPHASIS IN THE LATTER ON IMPROVING THE LOT OF THE RURAL POOR, WITH THE GOAL OF OVERWHELMING DESTITUTION WITHIN TEN YEARS.)

3. I TRIED TO EXPLAIN THE DIFFERENCE OF OUR ADMINISTRATION'S OUTLOOK AND POLICY FROM THAT OF THE COMMITTEE'S REPORT VIS-A-VIS INDIA. REPRESENTATIVE CLARENCE LONG, OF COURSE, IS NOT A NEW SUBJECT TO THE GOI. BUT THE STIPULATIONS THAT HE HAS WRITTEN INTO THIS OFFICIAL COMMITTEE REPORT CAUSE OUR FRIENDS REAL TROUBLE AS THEY SEEK TO LEAD INDIA INTO BETTER RELATIONSHIPS WITH US. THE FINANCE MINISTER POINTED OUT THAT IT TOO IS A DEMOCRACY AND THE GOVERNMENT HAS TO CONTEND WITH OPPOSING VIEW POINTS. ALLEGATIONS THAT THE GOI WAS ACCEPTING DISCRIMINATORY TREATMENT AND ADOPTING A SUBSERVIENT STANCE, HE INDICATED, WOULD BE CERTAIN TO ROUSE A POLITICAL FUSS AND POSSIBLY CLOUD OUR RELATIONSHIP, (AS A MATTER OF FACT, THE TROUBLESOME APPROPRIATIONS COMMITTEE REPORT WAS ISSUED TWO DAYS BEFORE A MAJOR STATEMENT OF ECONOMIC POLICY BY THE FINANCE MINISTER WHEN HE PRESENTED THE NEW GOI BUDGET FOR THIS YEAR. I EXPECT IT IS TOO MUCH TO HOPE THAT REPRESENTATIVE LONG MIGHT WELCOME THE LATTER STATEMENT AND DO SO IN A WAY TO DISSOLVE WHAT IS PERCEIVED TO BE A SUPERCILIOUSNESS TOWARD INDIA.)

4. MR. PATEL SOUGHT TO IMPRESS ON ME HIS AND THE PRIME MINISTER'S UNDERSTANDING AND APPRECIATION OF THE CARTER ADMINISTRATION'S ATTITUDE TOWARD INDIA AND TOWARD AID. I AM CONVINCED THAT HE IS SINCERE IN THIS AND BELIEVES THAT INDIA NEEDS AND SHOULD ENTER INTO A BI-LATERAL AID AGREEMENT WITH US.

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5. IT SEEMS TO ME THAT WE HAVE TWO OPTIONS:
(A) SIMPLY TO SIT TIGHT AND WAIT TO SEE WHETHER THE NEW GOVERNMENT HAS SUFFICIENT COHESION AND SELF-CONFIDENCE TO RESOLVE THE PROBLEM FOR THEMSELVES.
(B) OR WE MIGHT SEEK TO DEVELOP AND CONVEY ASSURANCES THAT WOULD HELP THE FINANCE MINISTER AND OTHER FRIENDS TO SURMOUNT THE POLITICAL OBSTACLES THAT THEY SEEM TO FACE. IF IT IS FEASIBLE AND WASHINGTON CAN SUPPLY AMMUNITION, MY CHOICE WOULD BE OPTION B. BUT I CERTAINLY WOULD NOT PUSH THE GOI TO ACCEPT OUR AID. (INCIDENTALLY, THE SIGNIFICANCE WHICH THE FINANCE MINISTER ATTACHES TO THIS MATTER MAY BE REFLECTED IN THE FACT THAT THE FOREIGN SECRETARY TOOK PART IN OUR MEETING AND SECRETARIES MALHOTRA AND JUNEJA OF THE FINANCE MINISTRY WERE ALSO PRESENT).

6. ADDED COMMENT. THE POSITION WE PROPOSE TO TAKE IN THE CONSORTIUM MEETINGS SHOULD NOT, I BELIEVE, BE CHANGED BY THIS CURRENT HESITANCY IN THE INDIAN CABINET. GOHEEN

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